

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Joint International Bridge Authority	County Chippewa
Fiscal Year End December 31, 2006	Opinion Date January 25, 2007	Date Audit Report Submitted to State June 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
			Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006

JOINT INTERNATIONAL BRIDGE AUTHORITY

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Policy and Governance



Joint International Bridge Authority Board of Directors

Michigan Representatives

Mr. Terry Carrick
(2006 Chair)

Mr. Howard Cash

Ms. Janis Burgess

Canadian Representatives

Mr. James McIntyre
(2006 Vice Chair)

Mr. Gerald Johnston

Mr. Lorie Bottos



Ms. Janis Burgess



Mr. James McIntyre



Mr. Lorie Bottos



Mr. Gerald Johnston



Mr. Phillip M. Becker, PE
General Manager



Mr. Peter M. Petainen
Chief Financial Officer

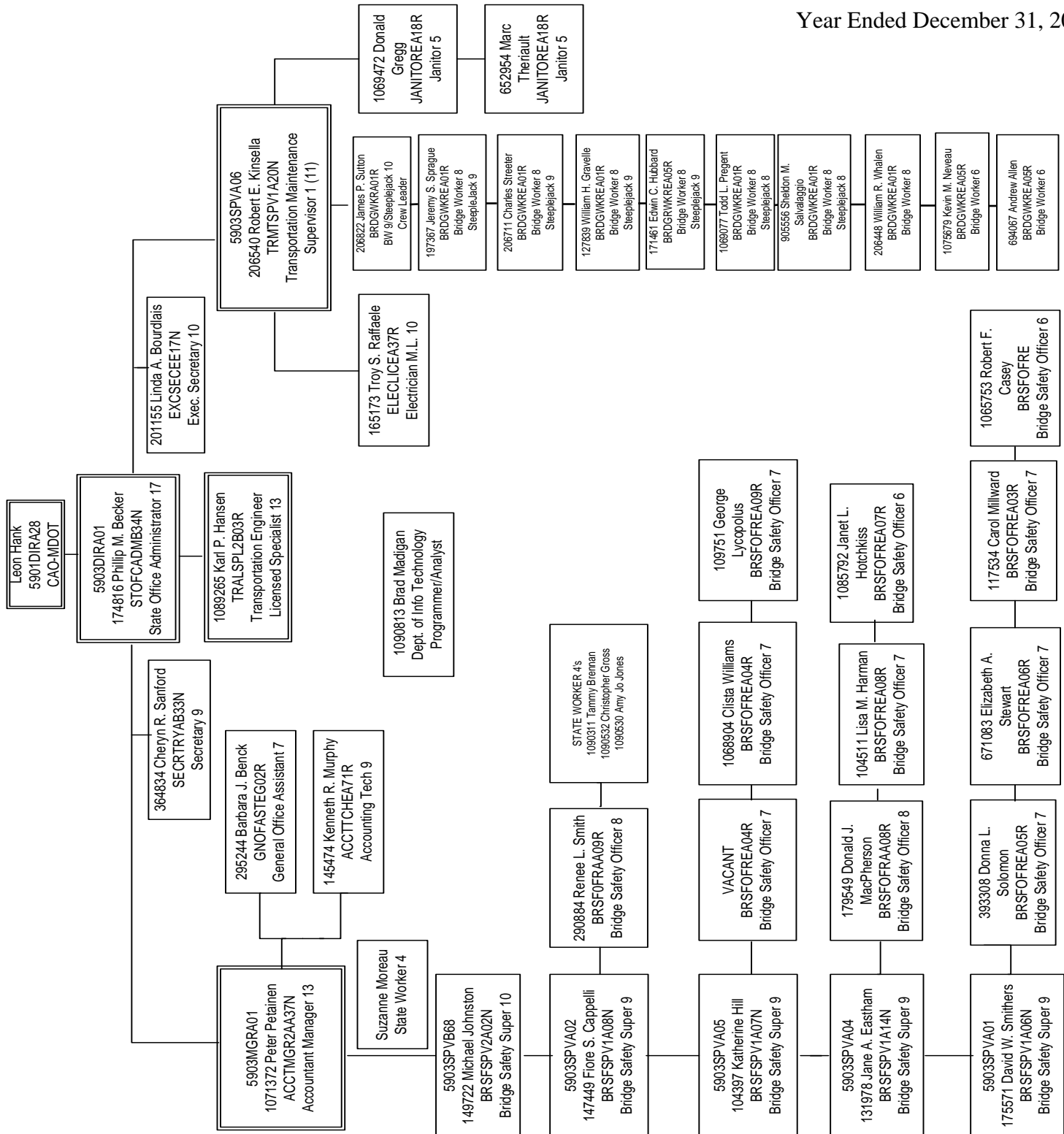


Mr. Karl P. Hansen, PE
Bridge Engineer

JOINT INTERNATIONAL BRIDGE AUTHORITY

INTERNATIONAL BRIDGE ADMINISTRATION ORGANIZATIONAL CHART

Year Ended December 31, 2006





JOINT INTERNATIONAL BRIDGE AUTHORITY

SAULT STE. MARIE, MICHIGAN

SAULT STE. MARIE, ONTARIO

TERRY E. CARRICK, CHAIR
HOWARD D. CASH, MEMBER
JANIS M. BURGESS, MEMBER

JAMES MCINTYRE, VICE CHAIR
GERALD H. JOHNSTON, MEMBER

To the Joint International Bridge Authority
Members and Representatives
Joint International Bridge Authority
Sault Ste. Marie, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

The Comprehensive Annual Financial Audit Report (CAFR) of the Joint International Bridge Authority, Michigan for the fiscal year ended December 31, 2007, is hereby submitted in accordance with the requirements as outlined in Public Act 99 of 1954, Section 15, as amended. The Intergovernmental Agreement and statutes require that the Joint International Bridge Authority, Michigan issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial activity have been included.

REPORTING ENTITY

An agency and instrumentality of the State of Michigan created in 1935 by Section 2, Act No. 237, P.A. of 1935 (Section 254, 202, Compiled Laws of 1948). By virtue of Act No. 99, P.A. 1954, as amended, the Authority is empowered to construct, maintain and operate a bridge project from the Upper Peninsula of Michigan to the Province of Ontario, Canada, to acquire necessary real and personal property, to exercise power of condemnation, to issue revenue bonds, payable solely from tolls and other revenues, and to charge and collect tolls and other charges for use of such projects. Congressional authority is provided by an Act of Congress as reenacted and approved September 21, 1959. Canadian authorization derives from an assignment and agreement dated January 15, 1960 between the Authority and St. Mary's River Bridge Co., a Canadian corporation, whereby the Authority succeeded to all the rights, powers, etc. of the corporation.

REPLY TO: PHILLIP M. BECKER, P.E., GENERAL MANAGER

934 BRIDGE PLAZA
SAULT STE. MARIE, MICHIGAN 49783
PHONE: (906) 635-5255 FAX: (906) 635-0540
TDD/TTY – MICHIGAN RELAY CENTER (800) 649-3777

vii

121 HURON STREET
SAULT STE. MARIE, ON P6A 1R3
PHONE: (705) 942-4345

AUTHORITY PROFILE

The International Bridge Authority tendered the last payment on its 1960 Series B 6% Secondary Pledge Revenue Bonds on September 1, 2000. Previous agreements and legislation mandated that upon this last payment ownership of the respective sides of the International Bridge would revert to the Michigan Department of Transportation (“MDOT”) and the St. Mary’s River Bridge Company (“SMRBC”). As a result, the International Bridge Authority ceased to exist as an entity on September 1, 2000. To effectuate a seamless transition in bridge operation and maintenance, these parties entered into an intergovernmental agreement that created the Joint International Bridge Authority (“JIBA”) and International Bridge Administration (“IBA”) and established the powers and responsibilities of each. The agreement was authorized by Michigan legislation passed in May 2000 that amends original legislation passed by Michigan Public Act 99 of 1954.

The JIBA is the international contractual entity created by the agreement to set policy and oversee bridge operations. It has six members, three from Michigan (appointed by the Governor) and three from Canada. The IBA is an administrative entity within the MDOT created to carry out the policy decisions of the JIBA, and, under the direction and supervision of the MDOT, to enter into contracts and manage and operate the bridge on a daily basis.

The Agreement became effective September 1, 2000 and remains in effect until September 30, 2040, subject to cancellation upon one (1) year written notice by MDOT or the SMRBC.

ECONOMIC CONDITIONS AND OUTLOOK

Seventy percent of Authority revenue in the fiscal year was provided by toll payments; the remainder was provided primarily by lease payments from U.S. and Canadian duty-free operators, rental revenue, and interest income. During the fiscal year, toll revenue decreased by 5.3%. In 2006, investment income increased \$230,572, which is an 82.6% increase from 2005.

The value of the Canadian dollar has appreciated in 2006, increasing 5.1%. With 3 times more Canadian traffic as compared to U.S. traffic, the fluctuation of the Canadian dollar continues to impact revenue recorded by the Authority, and the equity of Canadian held funds.

Fluctuations in commercial traffic also result in significant changes to toll revenue, as commercial traffic is only 6.4% of total bridge traffic, but provides 48.1% of bridge toll revenue. The 7.1% decline in commercial traffic resulted in a reduction of \$178,055 in commercial toll revenue.

The board authorized public hearings on the proposed new toll rates were held on November 28, 29, and 30, 2006, in Sault Ste. Marie, Ontario, Sault Ste. Marie, Michigan, and Lansing, Michigan, respectively. These hearings, as mandated in Article 18, Section 301 of Public Act 345 of 2006, were held in accordance with the Michigan Department of Transportation Public Involvement/Public Hearings Procedures. Legal notices announcing these hearings were placed in local Ontario and Michigan newspapers, as well as the Lansing State Journal, in November, 2006. A total of 11 people from the public attended the hearings; three in Sault Ste. Marie, Ontario, eight in Sault Ste. Marie, Michigan, and none in Lansing, Michigan. In addition, there was one telephone call and one telephone call entered into the public comment record. At the February 14, 2007, JIBA meeting, after due consideration of all public comment, the board unanimously approved the toll increase proposal as presented. The increase will become effective April 1, 2007.

The rate as approved is a short term solution that would delay a fund balance deficit based on marginally increasing traffic projections. The purpose and need for the proposal is based on the fact that there are significant capital improvement expenditures planned for the 45 year old bridge in the planning period. The most significant capital project planned is the complete removal, and replacement, of the concrete bridge deck on the 1.8 mile long bridge. This is scheduled to take place between 2017 and 2023, and is estimated to cost approximately \$80 million (USD). Based on current toll rates, the bridge fund balance of all available funds could be in a deficit in 2009.

These indicators were taken into account when adopting the Revenue budgets for 2007.

FY 2006 INITIATIVES

Some of the major themes which guided projects and initiatives for FY 2006 were as follows:

- Infrastructure Repairs, Replacements and Improvements
- Equipment and Technology Replacements and Improvements
- Bridge security and infrastructure improvements, and staff readiness training
- Bridge security, and emergency response preparedness training with stakeholders
- Revenue enhancement and planning for long-term infrastructure needs

In accordance with these themes, the following was accomplished in FY 2006:

- Canada Border Services Agency Primary Inspection Lane Improvements - \$271,569
- Annual Bridge Inspection - \$60,027
- Security System Project Installation Completion - \$285,983
- All risk reduction recommendations contained in the 2002 Security Assessment Report for the bridge have been implemented with the Security System completion

PLANNING FOR THE FUTURE

Key components of the Authority's approved Business Plan for FY 2006 were:

1. Develop our Business Plan to incorporate our vision concepts.
2. Maintain our leadership role in infrastructure improvements and future development.
3. Continue to foster local economic and cross-border initiatives.

1. Develop our Business Plan to incorporate our vision concepts.

- We will meet our customers' most important needs by providing safe, pleasurable, affordable and expedient passage between Sault Ste. Marie, Ontario and Sault Ste. Marie, Michigan.
- Quality - achieving our best within our resources.
- Teamwork - effectively involving JIBA members, IBA staff, MDOT, St. Mary's River Bridge Company, Federal Bridge Corp., federal, state, provincial, local public officials, and our customers.
- Customer focus - knowing our customers and understanding their needs and wants.
- Responsibility - for the care of the International Bridge and its employees.
- Integrity - doing what is right.
- Pride - in the International Bridge and the importance of overseeing, managing, operating and maintaining it

2. Maintain our leadership role in infrastructure improvements and future development.

- Undertake bridge repairs including repairs to the bridge rails, curb rails, and drainage systems.
- Winter maintenance - snow plowing, sanding the bridge and plazas, shoveling sidewalks.
- Maintenance on IBA, Canada Customs buildings and toll booths, of both U.S. and Canadian Plazas
- Responsible repair and maintenance all IBA Equipment.
- Minor road maintenance and repairs, facility and structure touch-up painting.
- Conduct bridge patrols, security sweeps and traffic management duties.

3. Continue to foster local economic and cross-border initiatives.

- The Joint International Bridge Authority (JIBA) continues to follow the debate on the Western Hemisphere Travel Initiative with great concern. The JIBA strongly encourages that any form of required citizenship identification be easily and quickly accessible in all communities of North America at a modest cost and brief turn-around.
- The International Bridge Administration will continue to support the local multi-modal initiative as it has the capacity to have a long-term positive impact on bridge revenue.

Plans beyond FY 2006 will continue to emphasize the major themes of aggressive infrastructure improvements, technology enhancement, improved security and traffic management, and maintenance of current operating facilities with a strong emphasis on long-term facility improvements.

FINANCIAL INFORMATION – THE NEW REPORTING MODEL FORMAT

The Format of the report using the GASB Statement 34 guidelines is significantly different from prior years. This is the first year that the Authority has prepared the comprehensive annual financial report and the sixth year using the new reporting model format. The objective of the new model is to increase accountability of the Authority by providing more useful information to a wider range of users. A few of the more significant changes include:

- ❖ The financial information has been moved from the transmittal letter to the ‘Management Discussion and Analysis’ (MD&A). This provides a more in-depth review and discussion of the Authority’s financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Unlike the transmittal letter, the MD&A is reviewed by the auditors. Most readers will read this section first. Many of the key financial topics are covered by the MD&A. The MD&A can be found immediately after the auditor’s opinion letter.
- ❖ The Authority statements are presented on a full accrual basis of accounting. The bridge, and capital assets have been included in the Statement of Net Assets. Capital assets are depreciated. Long-term debt has been reported. The full accrual method is better for addressing overall operating results and financial position of the Authority as an economic entity.
- ❖ In the basic financial statements, individual fund activity is disclosed for ‘major’ funds. Nonmajor funds are combined in one column. Reporting by major fund helps readers’

focus attention on the big picture items. As in prior years, the statements for governmental activities are reported on a modified accrual basis. This means that all non-entity wide statements require reconciliation schedules to the entity wide statements.

- ❖ Because of the different basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis of accounting is the traditional method used for governmental activities. The modified accrual method provides an easier framework for budgeting and controlling expenditures.

OTHER FINANCIAL INFORMATION

Risk Management – The objective of risk management is to provide maximum quality protection to the Authority’s assets, employees and the public at the lowest possible cost. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The Authority is constantly evaluating its risk management practices seeking to improve its safety and loss control functions, insurance placement, and financing practices.

Cash Management – Pursuant to the cash management policy of the Authority, cash temporarily idle during the year was invested in those investments authorized by law. The Authority invests with maturities planned to coincide with cash needs, whenever possible, with the investment policy designed to minimize credit and market risks while maintaining a competitive yield on its portfolio. Detailed information is presented in Note C, which classifies levels of risk, for deposits and investments.

OTHER INFORMATION

Independent Audit – The Authority’s Intergovernmental Agreement requires an annual audit of the accounts, financial records, and transactions of the Authority by an independent certified public accountant selected by the Authority. This requirement has been completed and the independent auditor’s report has been included in this report.

Acknowledgements – Special recognition must be extended to members of the International Bridge Administration staff who assisted with the development of the Comprehensive Annual Financial Report and annual independent audit. We wish to express our appreciation to all members of the Authority’s departments and the accounting firm of Anderson, Tackman, and Company, PLC, who contributed to this preparation.

We would also like to thank the members of the Joint International Bridge Authority for their interest and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully Submitted,



Phillip M. Becker, PE
General Manager



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITORS' REPORT

To the Joint International Bridge Authority
Members and Representatives
Joint International Bridge Authority
Sault Ste. Marie, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Joint International Bridge Authority, of Michigan, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and each major fund of the Joint International Bridge Authority, of Michigan, as of December 31, 2006 and 2005, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Joint International Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2007 on our consideration of the Authority's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 and budgetary comparisons on pages 31 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Joint International Bridge Authority basic financial statements. The accompanying schedules listed in the table of contents under the caption unaudited supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules listed in the table of contents under the caption required supplemental information, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 25, 2007

JOINT INTERNATIONAL BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2006. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total bridge traffic decreased by only 15,321 crossings in 2006, a decrease of 0.8%. In comparison to total traffic, commercial traffic declined by 9,368 crossings, a decrease of 7.1%.
- Toll revenues decreased \$169,770 in 2006, representing a 5.3% decrease, due primarily to the decrease in commercial traffic, in addition to two mandated Intergovernmental Agreement Canadian toll equity adjustments.
- IQ Card crossings increased in 2006 by 4.9%, compared to 2005 commuter traffic. IQ Card deposits increased by 1,797 deposits, representing a 3.9% increase for 2006.
- Deferred toll revenue for commuter and commercial debit accounts, by comparison, remained stable overall, up 2.2%. Commuter deferred toll revenue increased 13.1% and commercial declined 4.5%, a net increase at December 31, 2006.
- Toll currency adjustments to the Canadian rates occurred on April 1, 2006 and October 1, 2006, maintaining rate equity, due to the strengthening Canadian dollar.
- U.S. lease and rental revenues increased by 8.1% and Canadian lease revenues decreased by 11.8%, resulting in a net increase of \$6,157 from the prior year, representing a 1.4% net lease increase.
- Bridge operating expenditures for the revenue fund, including toll collection, maintenance, administration, and other expenditures for fiscal year 2006 increased by 12.8%.
- Bridge maintenance expenditures in 2006 include the installation of \$1.07 million in security related enhancements, as well as building and plaza renovations to the Canadian Customs facility .
- Bridge maintenance expenditures also include operational and capital equivalent parity liabilities of \$122,622 and \$215,671 respectively, for the Canada Customs facilities. Capital expenditures are due to the replacement of three primary inspection lane booths.
- The chart of accounts for the Authority underwent a significant revision in 2006. This adjusted the historical chart of accounts to the current standard as applied by the State of Michigan chart of accounts. This significantly improved budgetary reporting for 2006.
- The engineering inspection of the bridge indicates the overall condition of the bridge is good and the structure is well maintained.

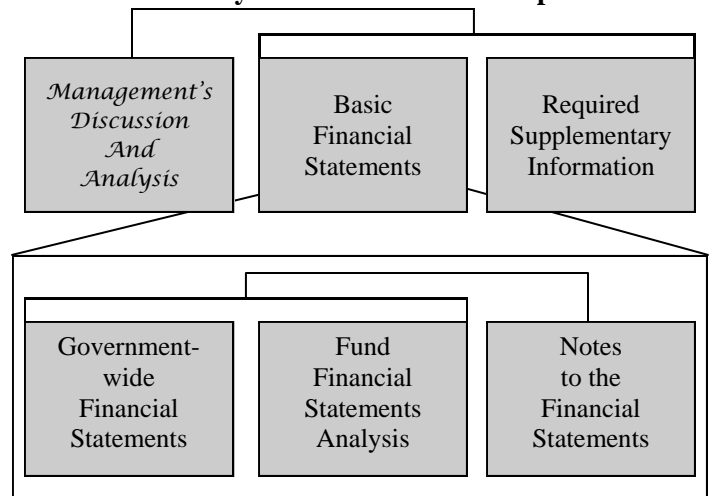
Year Ended December 31, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority.

Figure A-1
Required Components of the
Authority's Annual Financial Report

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority's government, reporting the Authority's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like toll collection were financed in the short-term as well as what remains for future spending.



Summary

Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our governmental funds each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Authority's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Year Ended December 31, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2
Major Features of Authority's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary, such as toll collection, bridge maintenance, and administration
Required financial	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and Measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net assets and how they have changed. Net assets – the difference between the Authority's assets and liabilities – is one way to measure the Authority's financial health, or position.

- Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the bridge traffic and the condition of the International Bridge.

The government-wide financial statements of the Authority are:

- Governmental activities – Most of the Authority's basic services are included here, such as toll collection, bridge maintenance and general administration. Toll collection, lease and rental revenues finance most of these activities.

Year Ended December 31, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's most significant funds-not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Joint International Bridge Authority Board establishes other funds to control and manage money for particular purposes (like the Capital Fund).
- Governmental funds – All of the Authority's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

JOINT INTERNATIONAL BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net assets. The Authority's combined assets decreased slightly by 1.1% between fiscal years 2005 and the year ended 2006 to \$19.4 million. (See Table A-1.)

Table A-1
Authority's Net Assets
(in thousands of dollars)

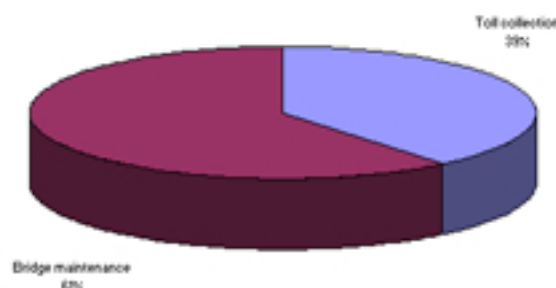
	Governmental Activities		Total Percentage Change 2005-2006
	2005	2006	
Current and other assets	\$ 6,313.3	\$ 6,221.1	(1.5)%
Capital assets	13,286.5	13,167.4	(0.9)%
Total assets	19,599.8	19,388.5	(1.1)%
Current liabilities	1,215.9	1,308.8	7.6%
Long-term debt outstanding	350.3	331.3	(5.4)%
Total liabilities	1,566.2	1,640.1	4.7%
Net assets			
Invested in capital assets, net of related debt	13,235.5	13,134.1	(0.8)%
Restricted	1,609.7	1,999.2	24.2%
Unrestricted	3,188.5	2,615.0	(18.0)%
Total net assets	\$ 18,033.6	\$ 17,748.4	(1.6)%

Net assets of the Authority's governmental activities decreased 1.6 percent to \$17.7 million. \$2.62 million of assets are not restricted as to the purposes for which they can be used. Restricted assets are \$2.0 million and \$13.1 million are invested in capital assets (buildings, bridge, and so on).

Changes in net assets. The Authority's total revenues decreased by 17.8 percent to \$4.6 million. (See Table A-2.) A majority of the Authority's revenue (85%) comes from toll collections. Another 15% comes from interest, lease and rental revenues, and gains in currency exchange.

The total cost of all primary activities increased 11.3 percent. The Authority's expenses cover toll collection, bridge maintenance, administration and other expenses. (See Figure A-4.)

Figure A-3
Authority
Revenue for Fiscal Year 2006



JOINT INTERNATIONAL BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

Governmental Activities

Revenues for the Authority's governmental activities decreased 17.8%, while total expenses increased 11.3% in 2006. Bridge maintenance increased in 2006 due to the net result of capital improvements to Canadian facilities, depreciation and losses from asset disposals in 2006. An increase of 82.6% in earned interest was insufficient to offset the losses due to the minor reduction in the value of the Canadian dollar, two mandatory reductions of the Canadian toll rates to maintain toll rate equity, and a significant commercial traffic decrease of 7.1% in 2006.

Table A-2
Changes in Authority's Net Assets
(in thousands of dollars)

	Governmental Activities		Total Percentage Change 2005-2006
	2005	2006	
Revenues			
Charges for services	\$ 4,809.3	\$ 4,638.6	(3.5)%
Capital grants and contributions	835.0	-	(100.0)%
Total Revenues	5,644.3	4,638.6	(17.8)%
Expenses			
Toll collections	1,348.6	1,491.9	10.6%
Bridge maintenance	2,049.0	2,323.6	13.4%
Administration	385.1	496.0	28.8%
Other expense	814.4	804.4	(1.2)%
Total Expenses	4,597.1	5,115.9	11.3%
Excess (deficiency) before Special items	1,047.2	(477.3)	(145.6)%
Special item: MDOT parity refunded and exchange gain	144.8	(38.7)	(126.7)%
Interest	126.3	230.6	82.6%
Increase (decrease) in net assets	\$ 1,318.3	\$ (285.4)	(121.6)%
Beginning net assets	\$ 16,715.5	\$ 18,033.6	7.3%
Ending net assets	\$ 18,033.6	\$ 17,748.4	(1.6)%

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As the Authority completed the year, its governmental funds reported a decrease in combined fund balance from \$5.1 to \$4.9 million, a combined fund balance decline of 3.6%. The primary reason for the decrease in fund balance is highlighted in the financial analysis of the Authority.

Functional Revenues are comprised of toll collections, leases, and rental revenues. These revenues are then allocated proportionally by bridge maintenance and toll collection expenses.

Table A-3 and the narrative that follows consider the operations of governmental-type activities.

JOINT INTERNATIONAL BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

Governmental Fund Revenues and Expenditures

Revenues for the bridge decreased by 18.3% and operating expenditures for the Authority's governmental funds decreased 9.0%. The bridge maintenance expenditures in 2006 decreased with the completion of the bridge security enhancement projects. Security enhancements include an integrated traffic and security camera system, building renovations, bridge alarms, lights and sensors, and electrical substation upgrades. Departmental expenditures within toll, maintenance and administration increased as a result of prorated expenditures to each department, such as insurance costs, in addition to a small staffing increase to meet operational needs. The net result has been a decrease in fund balance of 145.5%, the primary cause due to the change in federal revenues and change in exchange rates.

Figure A-4
Authority
Functional Expenses for Fiscal Year 2006



Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

	Governmental Activities		Total Percentage Change 2005-2006
	2005	2006	
Revenues			
Toll collections	\$ 4,358.1	\$ 4,126.5	(5.3)%
Federal grants	835.0	-	(100.0)%
Lease and rental revenues	447.5	453.7	1.4%
Interest revenues	126.3	230.6	82.6%
Other revenues	98.5	58.4	(40.7)%
Exchange gain	50.0	(38.7)	(177.4)%
Total Revenues	5,915.4	4,830.5	(18.3)%
Expenditures			
Toll collections	1,320.5	1,499.4	13.5%
Bridge maintenance	2,999.4	2,218.1	(26.0)%
Administration	376.3	492.8	31.0%
Other expenditures	814.4	804.4	(1.2)%
Total Expenditures	5,510.6	5,014.7	(9.0)%
Increase (decrease) in fund balance	\$ 404.8	\$ (184.2)	(145.5)%

Year Ended December 31, 2006

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made changes to the original 2006 budget.

- Budgets under the revised chart of accounts resulted in significantly improved reporting by cost function and departmental expenditures for 2006, including an improved cost allocation of expenditures within the Authority's departments.
- Earned revenues in the revenue fund were \$180,777 below budgeted projections. Toll revenues declined 3.9% from budgeted amounts as a result of 7.1% commercial traffic decrease, and two mandated decreases in Canadian tolls as a result of currency equity adjustments.
- Earned interest revenue was 74.3% in excess of budgeted amounts.
- Minor budget adjustments to the revenue fund were made during the fiscal year, however actual expenditures were \$52,396, or 1.0% in excess of the final budget.
- The toll department exceeded budgeted amounts with unplanned benefits and retirements expenditures to bridge safety supervisors and officers by 16.8%. Overall toll department expenditures were 2.7% over budget, as accounted for under the revised chart of accounts, and the prorated expenditures between departments.
- Maintenance costs remained 3.2% below approved budgetary amounts.
- Insurance and property taxes exceeded budgets by 2.1% and 6.4% respectively, due mainly to the fluctuations in the valuation of the Canadian currency exchange. Insurance increases were partially offset by a \$23,038 workers compensation insurance refund.

The detailed budgetary comparison schedules for the revenue and capital fund are found in the required supplementary information on page 31-32.

JOINT INTERNATIONAL BRIDGE AUTHORITY**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2006

CAPITAL ASSETS

At the end of 2006, the Authority had invested \$13.2 million in a broad range of capital assets, including land, machinery and equipment, buildings, bridge, vehicles, and bridge security enhancements. (See Table A-4.) This amount presents a net decrease (including additions, deductions, and accumulated depreciation) of \$119,196 or 0.9 percent, over last year. More detailed information about the Authority's capital assets is presented in Note D to the financial statements.

Table A-4
Authority's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Total Percentage Change 2005-2006
	2005	2006	
International bridge	\$ 9,113.5	\$ 8,576.7	(5.9)%
Bridge lights	222.7	197.0	(11.5)%
Buildings	1,199.4	1,355.8	13.0%
Machinery and equipment	153.8	188.2	22.4%
Land	1,192.6	1,192.6	0.0%
Land improvements	70.9	67.1	(5.4)%
Office equipment	5.6	4.1	(26.8)%
Vehicles	116.9	88.6	(24.2)%
Security system	1,211.4	1,497.4	23.6%
Totals	\$ 13,286.8	\$ 13,167.5	(0.9)%

LONG-TERM DEBT

At year-end, the Authority had \$ 331,325 in outstanding long-term liabilities – a decrease of 5.8% percent over fiscal year 2005. More detailed information about the Authority's long-term liabilities is presented in lease commitments and compensated absences, Note E and H respectively, in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has appreciated in 2006, increasing 5.1%. With 3 times more Canadian traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 39, the fluctuation of the Canadian dollar continues to impact revenue recorded by the Authority, and the equity of Canadian held funds.

Fluctuations in commercial traffic also result in significant changes to toll revenue, as commercial traffic is only 6.4% of total bridge traffic, but provides 48.1% of bridge toll revenue. The 7.1% decline in commercial traffic resulted in a reduction of \$178,055 in commercial toll revenue.

These indicators were taken into account when adopting the Revenue (General) fund budget for 2007.

JOINT INTERNATIONAL BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2006

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, bridge users, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the International Bridge Administration Office, 934 Bridge Plaza, Sault Ste. Marie, MI. 49783, or International Bridge Administration, 121 Huron St., Sault Ste. Marie, ON P6A 1R3.

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPARATIVE STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government Governmental Activities	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents unrestricted	\$ 3,096,419	\$ 3,326,371
Investments	2,721,313	2,676,685
Receivables (net)	176,418	94,678
Prepaid expense	226,946	215,553
Total current assets	<u>6,221,096</u>	<u>6,313,287</u>
Non-current assets:		
Capital assets (Note D):		
International bridge (net)	8,576,711	9,113,463
Bridge lights (net)	196,960	222,651
Buildings (net)	1,355,819	1,199,439
Machinery and equipment (net)	188,056	153,680
Land	1,192,642	1,192,642
Land improvements (net)	67,107	70,888
Office equipment (net)	4,087	5,574
Vehicles (net)	88,632	116,856
Security system (net)	1,497,392	1,211,409
Total non-current assets	<u>13,167,406</u>	<u>13,286,602</u>
Total assets	<u><u>\$ 19,388,502</u></u>	<u><u>\$ 19,599,889</u></u>

See accompanying notes to basic financial statements.

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPARATIVE STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government Governmental Activities	
	2006	2005
LIABILITIES		
Current liabilities:		
Accounts Payable	\$ 137,653	\$ 138,910
Accrued payroll and related liabilities	307,874	565,913
MDOT parity	603,983	265,690
Deferred revenue	240,628	227,544
Capital lease-current	18,648	17,804
	<hr/>	<hr/>
Total current liabilities	1,308,786	1,215,861
	<hr/>	<hr/>
Non-current liabilities:		
Accrued compensated absences	316,701	317,014
Capital lease	14,624	33,272
	<hr/>	<hr/>
Total non-current liabilities	331,325	350,286
	<hr/>	<hr/>
Total liabilities	1,640,111	1,566,147
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets, net of related debt	13,134,134	13,235,526
Restricted for:		
Bridge maintenance	1,999,222	1,609,713
Unrestricted (deficit)	2,615,035	3,188,503
	<hr/>	<hr/>
Total net assets	17,748,391	18,033,742
	<hr/>	<hr/>
Total liabilities and net assets	\$ 19,388,502	\$ 19,599,889
	<hr/>	<hr/>

See accompanying notes to basic financial statements.

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPARATIVE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

	Primary Government Governmental Activities	
	2006	2005
EXPENSES		
Toll collection	1,491,870	1,348,611
Bridge maintenance	2,323,578	2,049,018
Administration	495,968	385,074
Other expenses	804,436	814,371
Total operating expenses	5,115,852	4,597,074
REVENUES		
Charges for services:		
Toll collection	\$ 1,813,742	\$ 1,908,935
Bridge maintenance	2,824,892	2,900,347
Total charges for services	4,638,634	4,809,282

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPARATIVE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

	Primary Government Governmental Activities	
	2006	2005
REVENUES		
Capital grants and contributions		
Bridge maintenance	-	835,000
Total capital grants and contributions	-	835,000
Total revenues	4,638,634	5,644,282
Income from operations	(477,218)	1,047,208
General revenues and other changes in net assets:		
Interest revenues	230,572	126,314
MDOT parity refunded	-	94,829
Exchange gain (loss)	(38,705)	49,972
Total general revenues and other changes in net assets	191,867	271,115
Change in net assets	(285,351)	1,318,323
Net assets - beginning	18,033,742	16,715,419
Net assets - ending	\$ 17,748,391	\$ 18,033,742

JOINT INTERNATIONAL BRIDGE AUTHORITY

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

	Revenue Fund	Capital Fund	Total	2005
ASSETS				
Cash and cash equivalents unrestricted	\$ 1,567,863	\$ 1,528,556	\$ 3,096,419	\$ 3,326,371
Investments	1,808,363	912,950	2,721,313	2,676,685
Receivables (net)	153,613	22,805	176,418	94,678
Due from other funds	-	-	-	177,788
Prepaid expense	208,559	18,387	226,946	215,553
TOTAL ASSETS	\$ 3,738,398	\$ 2,482,698	\$ 6,221,096	\$ 6,491,075
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 12,112	\$ 125,541	\$ 137,653	\$ 138,910
Accrued payroll and related liabilities	307,874	-	307,874	565,913
MDOT parity	246,048	357,935	603,983	265,690
Due to other funds	-	-	-	177,788
Deferred revenue	240,628	-	240,628	227,544
TOTAL LIABILITIES	806,662	483,476	1,290,138	1,375,845
FUND BALANCES				
Reserved for				
Bridge maintenance	-	1,999,222	1,999,222	1,609,713
Unreserved	2,931,736	-	2,931,736	3,505,517
TOTAL FUND BALANCES	2,931,736	1,999,222	4,930,958	5,115,230
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,738,398	\$ 2,482,698	\$ 6,221,096	\$ 6,491,075

JOINT INTERNATIONAL BRIDGE AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

December 31, 2006

	<u>2006</u>	<u>2005</u>
Total fund balances – governmental funds	\$ 4,930,958	\$ 5,115,230
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$ 1,192,642	\$ 1,192,642
Infrastructure assets – bridge	21,145,782	21,145,782
Other capital assets (net)	5,586,496	5,067,406
Accumulated depreciation	<u>(14,757,514)</u>	<u>(14,119,228)</u>
Total capital assets	\$ 13,167,406	\$ 13,286,602
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	(316,701)	(317,014)
Capital lease	<u>(33,272)</u>	<u>(51,076)</u>
Total long-term liabilities	<u>(349,973)</u>	<u>(368,090)</u>
Net assets of governmental activities	<u>\$ 17,748,391</u>	<u>\$ 18,033,742</u>

See accompanying notes to basic financial statements.

JOINT INTERNATIONAL BRIDGE AUTHORITY**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2006

	Revenue Fund	Capital Fund	Total	2005
REVENUES:				
Toll collections	\$ 4,126,511	\$ -	\$ 4,126,511	\$ 4,358,084
Federal grants	-	-	-	835,000
Lease and rental revenues	453,674	-	453,674	447,517
MDOT parity refunded	-	-	-	94,829
Interest revenues	174,331	56,241	230,572	126,314
Other revenues	58,449	-	58,449	3,681
Exchange gain (loss)	(41,453)	2,748	(38,705)	49,972
Total Revenues	4,771,512	58,989	4,830,501	5,915,397
EXPENDITURES:				
Current operations				
Toll collection	1,499,425	-	1,499,425	1,320,481
Bridge maintenance	1,364,376	853,696	2,218,072	2,999,350
Administration	492,727	113	492,840	376,277
Other expenditures	588,765	215,671	804,436	814,371
Total Expenditures	3,945,293	1,069,480	5,014,773	5,510,479
Excess (deficiency) of revenues over expenditures	826,219	(1,010,491)	(184,272)	404,918
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,400,000	1,400,000	1,152,164
Transfers out	(1,400,000)	-	(1,400,000)	(1,152,164)
Total other financing sources (uses)	(1,400,000)	1,400,000	-	-
Net change in fund balances	(573,781)	389,509	(184,272)	404,918
Fund Balance-Beginning	3,505,517	1,609,713	5,115,230	4,710,312
Fund Balance-Ending	\$ 2,931,736	\$ 1,999,222	\$ 4,930,958	\$ 5,115,230

JOINT INTERNATIONAL BRIDGE AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

December 31, 2006

	<u>2006</u>	<u>2005</u>
Total net change in fund balances – governmental funds	\$ (184,272)	\$ 404,918
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives, as depreciation expense.		
Capital outlay	\$ 624,552	\$ 1,685,358
Depreciation expense	(687,927)	(678,713)
Loss on asset disposal	<u>(55,821)</u>	<u>(64,102)</u>
This is the amount by which depreciation expense and loss on asset disposal exceeds capital outlays in the period.	(119,196)	942,543
In the statement of activities, certain operating expenses, compensated absences (sick pay and vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the net of the sick and vacation earned and used which must be added from the net fund balance of the governmental funds.		
	313	(46,136)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
	<u>17,804</u>	<u>16,998</u>
Change in net assets of governmental activities	\$ (285,351)	\$ 1,318,323

See accompanying notes to basic financial statements.

Year Ended December 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Joint International Bridge Authority, Michigan (the "Authority") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

1. Reporting Entity

An agency and instrumentality of the State of Michigan created in 1935 by Section 2, Act No. 237, P.A. of 1935 (Section 254, 202, Compiled Laws of 1948). By virtue of Act No. 99, P.A. 1954, as amended, the Authority is empowered to construct, maintain and operate a bridge project from the Upper Peninsula of Michigan to the Province of Ontario, Canada, to acquire necessary real and personal property, to exercise power of condemnation, to issue revenue bonds, payable solely from tolls and other revenues, and to charge and collect tolls and other charges for use of such projects. Congressional authority is provided by an Act of Congress as reenacted and approved September 21, 1959. Canadian authorization derives from an assignment and agreement dated January 15, 1960 between the Authority and St. Mary's River Bridge Co., a Canadian corporation, whereby the Authority succeeded to all the rights, powers, etc. of the corporation.

The International Bridge Authority tendered the last payment on its 1960 Series B 6% Secondary Pledge Revenue Bonds on September 1, 2000. Previous agreements and legislation mandated that upon this

last payment ownership of the respective sides of the International Bridge would revert to the Michigan Department of Transportation ("MDOT") and the St. Mary's River Bridge Company ("SMRBC"). As a result, the International Bridge Authority ceased to exist as an entity on September 1, 2000. To effectuate a seamless transition in bridge operation and maintenance, these parties entered into an intergovernmental agreement that created the Joint International Bridge Authority ("JIBA") and International Bridge Administration ("IBA") and established the powers and responsibilities of each. The agreement was authorized by Michigan legislation passed in May 2000 that amends original legislation passed by Michigan Public Act 99 of 1954.

The JIBA is the international contractual entity created by the agreement to set policy and oversee bridge operations. It has six members, three from Michigan (appointed by the Governor) and three from Canada. The IBA is an administrative entity within the MDOT created to carry out the policy decisions of the JIBA, and, under the direction and supervision of the MDOT, to enter into contracts and manage and operate the bridge on a daily basis.

The Agreement became effective September 1, 2000 and remains in effect until September 30, 2040, subject to cancellation upon one (1) year written notice by MDOT or the SMRBC.

Year Ended December 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2. Basis of Presentation – Government-Wide Financial Statements**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the Authority as a whole. The statements include all funds of the primary government.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business type activities of the Authority. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are reported in governmental funds. Business type activities are financed by fees charged to external parties for goods or services. The Authority does not have business type activities.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building im-

provements, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Authority:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the Authority.

Year Ended December 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Revenue fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund (Capital Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, equity, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Authority selected the Revenue and Capital Funds as Major Funds.

4. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Bridge	60 years
Bridge enhancements	20 years
Bridge lights	5-25 years
Buildings	20-60 years
Machinery and equipment	5-20 years
Land improvements	20 years

Compensated Absences

The Authority accrues vested or accumulated sick and vacation leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

Year Ended December 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The Authority reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. All deposits and investments are carried at cost. Investments are reported at fair value, based on quoted market prices. Deposits are reported at cost.

Interfund Transfers

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

Prepaid Items

Payments made to vendors for insurance that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material effect on the financial statements.

Annual Budget

The Authority adopts an annual budget each year for expenditures applicable to the Revenue (General) Fund and the Capital Fund. The operating budget includes proposed expenditures and the means of financing them is stated on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgets lapse at fiscal year end.

Budget Violations

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are listed in the Summary Schedule of Findings and Responses.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

JOINT INTERNATIONAL BRIDGE AUTHORITY**NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2006

NOTE B CASH

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents - unrestricted	<u>\$ 3,096,419</u>
TOTALS	<u><u>\$ 3,096,419</u></u>
Imprest	\$ 144
Change Fund	8,361
Savings and checking	<u>3,087,914</u>
TOTALS	<u><u>\$ 3,096,419</u></u>

NOTE C INVESTMENTS

Act 217, PA 1982 authorized the Authority to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States and its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the state under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States government of federal agency obligation repurchase agreements.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- h. Obligation described in a. through f. if purchased through an interlocal agreement under the urban cooperations act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 219.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

JOINT INTERNATIONAL BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

NOTE C INVESTMENTS (continued)

	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Investments					
U.S. Treasury	\$ 1,144,148	\$ 778,643	\$ 365,505	\$ -	\$ -
CIBC Guaranteed Investment Certificate (GIC)	1,029,720	514,860	514,860	-	-
U.S. Treasury Strip	547,445	-	547,445	-	-
Total Investments	<u>\$ 2,721,313</u>	<u>\$ 1,293,503</u>	<u>\$ 1,427,810</u>	<u>\$ -</u>	<u>\$ -</u>

As reported on the Statement of Net Assets

Investments	<u>\$ 2,721,313</u>
Total Investments	<u>\$ 2,721,313</u>

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has an investment policy that further limits its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Authority's \$2,721,313 investments, \$2,721,313 are in the name of the Authority.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not re-

quire and the Authority does not have a policy for deposit custodial credit risk. As of year end, \$3,579,278 of the Authority's bank balance of \$3,665,088 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Foreign Currency Risk. These deposits are in a financial institution located in Ontario, Canada in varying amounts. All accounts are in the name of the Authority and specific funds. Interest is recorded in the month in which it is earned.

Cash and equivalents include cash deposited in a foreign (Canadian) financial institution. These deposits amount to \$1,206,167 (CAN) (\$1,035,012 U.S.) in its Canadian account and \$2,052,801 in its American account at year ended December 31, 2006. These deposits are covered by Canadian depository insurance in the amount of \$85,810 (U.S.) (\$100,000 CAN).

JOINT INTERNATIONAL BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

NOTE D CAPITAL ASSETS

A summary of capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 1,192,642	\$ -	\$ -	\$ 1,192,642
Other capital assets:				
Bridge	21,145,782	-	-	21,145,782
Bridge lights	677,420	-	-	677,420
Buildings	2,239,083	271,569	(70,760)	2,439,892
Machinery & equipment	400,417	67,000	(23,442)	443,975
Land improvements	75,614	-	-	75,614
Office equipment	149,734	-	-	149,734
Vehicles	313,729	-	(11,260)	302,469
Security System	1,211,409	285,983	-	1,497,392
Subtotal	26,213,188	624,552	(105,462)	26,732,278
Accumulated depreciation:				
Bridge	(12,032,319)	(536,752)	-	(12,569,071)
Bridge lights	(454,769)	(25,691)	-	(480,460)
Buildings	(1,039,644)	(59,368)	14,939	(1,084,073)
Machinery & equipment	(246,737)	(32,624)	23,442	(255,919)
Land improvements	(4,726)	(3,781)	-	(8,507)
Office equipment	(144,160)	(1,487)	-	(145,647)
Vehicles	(196,873)	(28,224)	11,260	(213,837)
Subtotal	(14,119,228)	(687,927)	49,641	(14,757,514)
Net Other Capital Assets	12,093,960	(63,375)	(55,821)	11,974,764
Net Capital Assets	\$ 13,286,602	\$ (63,375)	\$ (55,821)	\$ 13,167,406

Note: Depreciation was entirely allocated to bridge maintenance expense.

NOTE E LEASE COMMITMENTS

Komatsu WA250-SL Wheel Loader		Interest	\$ 1,437
Net present value	\$ 33,272	% interest	4.644%
2007	19,800	Payment – monthly	\$ 1,650
2008	14,909		
Total	\$ 34,709		

The Joint International Bridge Authority entered into a lease obligation as listed below:

The Joint International Bridge Authority has executed a capital lease obligation for equipment purchases. This lease is non-cancelable and contains a purchase option upon expiration of the lease. Depreciation is allocated entirely to bridge maintenance.

JOINT INTERNATIONAL BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

NOTE F RESTRICTED NET ASSETS

Restricted net assets at year ended December 31, 2006 consist of \$1,999,222 in investments, for the purpose of bridge repair and maintenance, as required by the Intergovernmental Agreement.

The following is a summary of pertinent information concerning the Authority's long-term debt.

Changes in Long-Term Debt			
1/1/06	Additions	Deductions	12/31/06
\$ 317,014	\$ -	\$ 313	\$ 316,701
Total	\$ -	\$ 313	\$ 316,701

(1) The change in compensated absences is shown as a net deduction.

NOTE G LEASES REVENUE

The Authority has entered into rental agreements that call for the Authority to receive a percentage of revenues from duty free shops on the American and Canadian plazas of the bridge. Also, the Authority receives fixed monthly and annual revenue for the use of land, office space and right of ways owned by the Authority.

A summary of the lease revenue earned for the year ended December 31, 2006 is as follows:

American lease revenue	\$ 319,980
Canadian lease revenue	133,694
Total lease revenue	<u>\$ 453,674</u>

NOTE H COMPENSATED ABSENCES

All permanent employees of the Authority are employed through the State of Michigan and receive sick and vacation benefits in accordance with State guidelines. All employees are allowed to accumulate any unused sick and vacation hours up to specified limits. Upon termination of employment, the employee is entitled to compensation for the accumulated annual leave hours. State guidelines differ regarding payment for the accumulated sick leave hours depending on the date of hire.

The total amount that would be payable at year ended December 31, 2006 was \$316,701. This amount is reflected as a liability in the Statement of Net Assets.

NOTE I INTERFUND TRANSFERS

The Authority reports interfund transfers between its funds. The total of all balances agrees with the sum of interfund transfers presented in the statement of revenues, expenditures, and changes in fund balance for governmental funds.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended December 31, 2006 consisted of the following:

Fund	Transfers Out	Transfers In
Revenue Fund	\$ 1,400,00	\$ -
Capital Fund	-	1,400,000
TOTALS	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>

JOINT INTERNATIONAL BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

NOTE J PENSION PLAN

Plan Descriptions – The Authority participates in the State of Michigan’s defined benefit and defined contribution plans that covers most state employees, as well as related component units such as the International Bridge Administration. The defined benefit plan provides retirement, disability, death benefits, and the annual cost of living adjustment to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262.

Funding Policy – Plan members are not required to make contributions; the Authority is required to contribute at an actuarially determined rate for the defined

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 281,193	100%	0
2005	\$ 360,326	100%	0
2006	\$ 402,711	100%	0

benefit plan of 4.02, 4.02 and 4.02 percent of payroll for the years ended September 30, 2006, 2005, and 2004 respectively. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent for the years ended September 30, 2006, 2005, and 2004. The contribution requirements of plan members and the Authority are established and may be amended by the state legislature. The state legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority’s contributions to the plans, including post employment benefits as described in Note M.

NOTE K FOREIGN CURRENCY VALUATION

The Authority engages in Canadian currency transactions for bridge toll collections and Canadian purchases. All financial statement amounts are restated as American funds at the time of toll collection and/or payment of Canadian purchases utilizing the average monthly exchange rate. The balance sheet is valued at the daily exchange rate as of the year ended December 31, 2006. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2006, gross Canadian revenue (including toll collections and lease revenue) decreased in the amount of \$38,705 due to the difference in U.S. and Canadian dollar currency rates throughout the fiscal year.

NOTE L PROPERTY TAX PAYMENTS

The Authority pays property taxes in the City of Sault Ste. Marie, Ontario and payment in lieu of taxes, less Ontario tax rebates and refunds, to the City of Sault Ste. Marie, Michigan. The amounts paid to each respective unit, net of property tax rebates, for the year ended December 31, 2006, are as follows:

Sault Ste. Marie, Ontario	\$ 83,370
Sault Ste. Marie, Michigan	<u>82,878</u>
Total tax payments	<u><u>\$ 166,248</u></u>

Year Ended December 31, 2006

NOTE M POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note J, the Authority provides post retirement health care benefits, in accordance with State statutes, to all employees who retire from the government with age and years of service amounting to 80 or more. The government reimburses the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the State of Michigan. Post employment benefits is included within the State of Michigan financial reporting, and specific information relating to bridge administration employees is not available.

JOINT INTERNATIONAL BRIDGE AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
REVENUE FUND**

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balance, December 31, 2005	\$ 3,505,517	\$ 3,505,517	\$ 3,505,517	\$ -
Resources (inflows):				
Toll collections	4,296,289	4,296,289	4,126,511	(169,778)
Lease and rental revenues	540,000	540,000	453,674	(86,326)
Interest revenue	100,000	100,000	174,331	74,331
Other revenue	16,000	16,000	58,449	42,449
Exchange gain (loss)	-	-	(41,453)	(41,453)
Amounts available for appropriation	4,952,289	4,952,289	4,771,512	(180,777)
Charges to appropriation (outflows):				
Salaries	1,934,373	2,043,525	2,053,416	(9,891)
Benefits	292,370	278,701	295,316	(16,615)
Retirement	344,780	375,823	430,852	(55,029)
Insurance	292,267	329,692	363,793	(34,101)
Supplies	16,380	23,640	24,864	(1,224)
Accounting and audit fees	34,740	34,140	35,125	(985)
Periodicals and memberships	4,600	5,060	4,511	549
Printing and postage	4,133	4,283	3,476	807
Advertising	3,500	11,900	16,173	(4,273)
Uniforms	14,640	15,770	17,544	(1,774)
Medical exam	2,733	2,080	2,070	10
Salary administration	22,100	23,177	23,168	9
Cash transportation services	7,400	7,400	6,283	1,117
Commutation debit accounts	1,330	1,330	1,352	(22)
Vehicle gas and oil	30,000	23,000	21,896	1,104
Travel & meeting expense	31,100	33,360	32,731	629
Utilities	12,500	156,300	139,241	17,059
Service contract purchased	9,841	9,841	4,949	4,892
Computers, software and support	61,390	63,205	55,288	7,917
Training	12,000	10,600	9,646	954
Building maintenance	14,300	14,300	14,268	32
Building improvements and equipment	34,140	30,180	25,540	4,640
Heating and plumbing repair	4,800	4,800	3,456	1,344
Ground maintenance	1,500	1,810	1,823	(13)
Equipment repair	15,450	15,450	7,285	8,165
Vehicle maintenance	10,000	10,000	11,043	(1,043)
Leases and rentals	9,579	3,000	1,518	1,482
Paint and sandblast materials	4,400	4,400	724	3,676
Sand and ice melter	25,000	25,000	27,595	(2,595)
Small tools purchase	3,800	3,800	3,925	(125)
Bridge and road maintenance and repair	31,000	23,000	13,564	9,436
Commuter bus expenditures	18,000	18,000	-	18,000
Property tax and payment in lieu of taxes	156,230	156,230	166,248	(10,018)
Debt service (parity)	110,000	128,100	122,622	5,478
Miscellaneous	1,500	2,000	3,988	(1,988)
Transfers (in) out	1,400,000	1,400,000	1,400,000	-
Total charges to appropriations	4,971,876	5,292,897	5,345,293	(52,396)
Budgetary fund balance, December 31, 2006	\$ 3,485,930	\$ 3,164,909	\$ 2,931,736	\$ (233,173)

JOINT INTERNATIONAL BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary fund balance, December 31, 2005	\$ 1,609,713	\$ 1,609,713	\$ 1,609,713	\$ -
Resources (inflows):				
Interest revenues	50,000	50,000	56,241	6,241
Exchange gain (loss)	-	-	2,748	2,748
Transfers in	1,400,000	1,400,000	1,400,000	-
Amounts available for appropriation	1,450,000	1,450,000	1,458,989	8,989
Charges to appropriations (outflows):				
Repairs and maintenance	653,000	532,000	620,135	(88,135)
Professional services	130,000	125,000	145,111	(20,111)
Capital outlay	100,000	100,000	88,450	11,550
Administration	200	200	113	87
Repairs and maintenance (parity)	322,500	220,000	215,671	4,329
Total charges to appropriations	1,205,700	977,200	1,069,480	(92,280)
Budgetary fund balance, December 31, 2006	\$ 1,854,013	\$ 2,082,513	\$ 1,999,222	\$ (83,291)



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Joint International Bridge Authority
Members and Representatives
Joint International Bridge Authority
Sault Ste. Marie, Michigan

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the financial statements of the government activities and major funds of the Joint International Bridge Authority, as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon, dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Joint International Bridge Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

To the Joint International Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint International Bridge Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. That item 06-1 is described in the Summary Schedule of Findings and Responses.

We noted certain matters that we reported to management of the Joint International Bridge Authority in a separate letter dated January 25, 2007.

This report is intended solely for the information and use, of management, Board of Commissioners, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 25, 2007

JOINT INTERNATIONAL BRIDGE AUTHORITY

SUMMARY SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2006

STATUTORY COMPLIANCE

Excess Expenditures Over Appropriations

Finding 06-01

Condition: As indicated in the notes to financial statements, the Joint International Bridge Authority has not complied with certain provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act. The act requires the board of commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Fiscal year ending December 31, 2006 expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions of the Capital Fund are as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Charges to appropriations:			
Repairs and maintenance	\$ 977,200	\$ 1,069,480	\$ (92,280)

Criteria: Noncompliance with PA2 of 1968, as amended: Uniform Budgeting and Accounting Act.

Cause: Capital project completed earlier than anticipated, and subsequent to year end quarterly meeting of Joint International Bridge Authority Board of Directors.

Recommendation: The Board should amend the budget as needed to prevent actual expenditures from exceeding those provided for in the budget as required by Public Act 2 of 1968, as amended.

Management Response:

Contact Person(s) Responsible for Correction

Phillip M. Becker, P.E., Bridge Administration General Manager

Corrective Action Planned

The Bridge Administration General Manager and the Chief Financial Officer will monitor all funds and projects to ensure compliance, and anticipate project completion dates prior to final fiscal year meetings.

Anticipated Completion Date

The corrective procedures are in place.

JOINT INTERNATIONAL BRIDGE AUTHORITY
SCHEDULE OF TRAFFIC & TOLL REVENUE - UNAUDITED

For the Year Ended December 31, 2006

		December 31, 2006			
		AMERICAN		CANADIAN	
		VEHICLES	REVENUE	VEHICLES	REVENUE
CLASS 1 & 12					
Passenger Car, 2 Axle Truck, Motorcycle		292,256	\$ 438,384	510,397	\$ 792,570
CLASS 2					
Class 1 + 1 Axle Trailer		22,731	56,827	9,115	23,584
CLASS 3					
Class 1 + 2 Axle Trailer		11,000	39,350	7,100	26,301
	Commuter Deposits Sold				
CLASS 29	American Canadian				
Commuter	8,761 39,197	170,743	136,594	757,929	626,023
CLASS 5 & 11					
Bus, 2 Axle-6 Tire Commercial		1,338	6,690	1,363	7,023
CLASS 7					
3 Axle Commercial		1,415	9,198	1,084	7,288
CLASS 8					
4 Axle Commercial		834	7,506	944	8,744
CLASS 9					
5 Axle Commercial		36,838	460,475	28,493	367,586
CLASS 16					
6 Axle Commercial		4,473	71,568	4,625	76,601
CLASS 17					
7 Axle Commercial		1,697	33,092	1,792	36,188
CLASS 18					
8 Axle Commercial		2,286	52,578	8,405	200,306
CLASS 19					
9 Axle Commercial		2,826	64,998	11,512	274,457
CLASS 20					
10 Axle Commercial		2,775	63,825	7,313	174,196
CLASS 21					
11 Axle Commercial		2,326	53,498	465	11,061
CLASS 13					
Non Revenue		-	-	7,264	-
TOTAL VEHICLES		553,538		1,357,801	
TOTAL REVENUE			\$ 1,494,583		\$ 2,631,928
TOTAL AMERICAN & CANADIAN TRAFFIC			1,911,339		
TOTAL AMERICAN & CANADIAN REVENUE			\$ 4,126,511		

COMPARATIVE SCHEDULE OF TRAFFIC & TOLL REVENUE - UNAUDITED

					December 31, 2006			
					TRAFFIC		REVENUE	
					2006	2005	2006	2005
CLASS 1 & 12								
Passenger Car, 2 Axle Truck, Motorcycle					802,653	849,667	\$ 1,230,954	\$ 1,304,053
CLASS 2								
Class 1 + 1 Axle Trailer					31,846	34,426	80,411	86,779
CLASS 3								
Class 1 + 2 Axle Trailer					18,100	18,556	65,651	66,726
					Commuter Deposits Sold			
CLASS 29			American	Canadian				
Commuter	2005	9,692	36,469	928,672	885,706	762,617	724,194	
	2006	8,761	39,197					
CLASS 5 & 11								
Bus, 2 Axle-6 Tire Commercial					2,701	3,069	13,713	15,622
CLASS 7								
3 Axle Commercial					2,499	2,952	16,486	19,006
CLASS 8								
4 Axle Commercial					1,778	1,207	16,250	10,893
CLASS 9								
5 Axle Commercial					65,331	67,934	828,061	862,796
CLASS 16								
6 Axle Commercial					9,098	8,078	148,169	131,707
CLASS 17								
7 Axle Commercial					3,489	4,673	69,280	92,930
CLASS 18								
8 Axle Commercial					10,691	13,390	252,884	316,013
CLASS 19								
9 Axle Commercial					14,338	17,430	339,455	411,697
CLASS 20								
10 Axle Commercial					10,088	10,327	238,021	243,695
CLASS 21								
11 Axle Commercial					2,791	3,112	64,559	71,973
CLASS 13								
Non Revenue					7,264	6,133	-	-
TOTAL VEHICLES					1,911,339	1,926,660		
TOTAL REVENUE							\$ 4,126,511	\$ 4,358,084

JOINT INTERNATIONAL BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary fund balance, December 31, 2005	\$ 3,505,517	\$ 3,505,517	\$ 3,505,517	\$ -
Resources (inflows):				
Toll collections	4,296,289	4,296,289	4,126,511	(169,778)
Lease and rental revenues	540,000	540,000	453,674	(86,326)
Interest revenue	100,000	100,000	174,331	74,331
Other revenue	16,000	16,000	58,449	42,449
Exchange gain (loss)	-	-	(41,453)	(41,453)
Amounts available for appropriation	4,952,289	4,952,289	4,771,512	(180,777)
Charges to appropriation (outflows):				
Toll collection				
Salaries	929,772	981,912	985,421	(3,509)
Benefits	168,214	144,936	165,644	(20,708)
Retirement	169,672	181,672	216,114	(34,442)
Insurance	43,203	43,413	37,579	5,834
Supplies	3,640	3,640	3,174	466
Printing and postage	250	250	66	184
Advertising	1,300	3,200	3,188	12
Uniforms	7,170	8,300	8,366	(66)
Medical exam	480	480	480	-
Salary administration	10,200	10,700	10,693	7
Cash transportation services	7,400	7,400	6,283	1,117
Commutation debit accounts	800	800	822	(22)
Travel & meeting expense	800	800	999	(199)
Utilities	1,800	100	-	100
Computers, software and support	53,850	53,850	47,303	6,547
Training	2,000	2,000	1,048	952
Building maintenance	3,000	3,000	852	2,148
Building improvements and equipment	15,020	8,980	9,610	(630)
Equipment repair	3,950	3,950	1,221	2,729
Miscellaneous	500	500	562	(62)
Total toll collection	1,423,021	1,459,883	1,499,425	(39,542)

JOINT INTERNATIONAL BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

BY DEPARTMENT - UNAUDITED

REVENUE FUND

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Bridge maintenance				
Salaries	782,708	768,282	762,371	5,911
Benefits	102,264	96,575	94,789	1,786
Retirement	134,271	141,771	155,231	(13,460)
Insurance	62,051	61,156	53,923	7,233
Supplies	12,400	17,700	16,987	713
Printing and postage	250	400	317	83
Advertising	1,000	1,000	698	302
Uniforms	7,470	7,470	9,178	(1,708)
Medical exam	1,120	1,600	1,590	10
Salary administration	10,200	10,695	10,693	2
Commutation debit accounts	350	350	306	44
Vehicle gas and oil	30,000	23,000	21,896	1,104
Travel & meeting expense	800	1,060	1,378	(318)
Utilities	4,700	150,200	133,003	17,197
Service contract purchased	5,000	5,000	65	4,935
Computers, software and support	2,850	2,165	1,621	544
Training	10,000	8,600	8,598	2
Building maintenance	11,300	11,300	13,416	(2,116)
Building improvements and equipment	12,700	13,200	8,166	5,034
Heating and plumbing repair	4,800	4,800	3,456	1,344
Ground maintenance	1,500	1,810	1,823	(13)
Equipment repair	11,500	11,500	6,064	5,436
Vehicle maintenance	10,000	10,000	11,043	(1,043)
Leases and rentals	3,000	3,000	1,518	1,482
Paint and sandblast materials	4,400	4,400	724	3,676
Sand and ice melter	25,000	25,000	27,595	(2,595)
Small tools purchase	3,800	3,800	3,925	(125)
Bridge and road maintenance and repair	31,000	23,000	13,564	9,436
Miscellaneous	500	500	438	62
Total maintenance	1,286,934	1,409,334	1,364,376	44,958

JOINT INTERNATIONAL BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

BY DEPARTMENT - UNAUDITED

REVENUE FUND

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Administration				
Salaries	221,895	293,332	305,624	(12,292)
Benefits	21,891	37,190	34,883	2,307
Retirement	40,837	52,380	59,507	(7,127)
Insurance	779	5,123	4,988	135
Supplies	340	2,300	4,703	(2,403)
Accounting and audit fees	27,740	28,740	26,436	2,304
Periodicals and memberships	4,600	5,060	4,511	549
Printing and postage	3,633	3,633	3,093	540
Advertising	1,200	7,700	10,932	(3,232)
Medical exam	1,133	-	-	-
Salary administration	1,700	1,782	1,782	-
Commutation debit accounts	80	80	163	(83)
Travel & meeting expense	3,500	5,500	8,396	(2,896)
Utilities	6,000	6,000	6,238	(238)
Service contract purchased	4,841	4,841	4,884	(43)
Computers, software and support	4,690	7,190	6,364	826
Building improvements and equipment	6,420	8,000	7,764	236
Leases and rentals	6,579	-	-	-
Miscellaneous	500	1,000	2,459	(1,459)
Total administration	358,358	469,851	492,727	(22,876)
Other expenditures				
Insurance	186,233	220,000	267,303	(47,303)
Accounting and audit fees	7,000	5,400	8,689	(3,289)
Advertising	-	-	1,355	(1,355)
Commutation debit accounts	100	100	61	39
Travel & meeting expense	26,000	26,000	21,958	4,042
Commuter bus expenditures	18,000	18,000	-	18,000
Property tax and payment in lieu of taxes	156,230	156,230	166,248	(10,018)
Debt service (parity)	110,000	128,100	122,622	5,478
Miscellaneous	-	-	529	(529)
Transfers (in) out	1,400,000	1,400,000	1,400,000	-
Total other expenditures	1,903,563	1,953,830	1,988,765	(34,935)
Total charges to appropriations	4,971,876	5,292,898	5,345,293	(52,395)
Budgetary fund balance, December 31, 2006	\$ 3,485,930	\$ 3,164,908	\$ 2,931,736	\$ (233,172)

JOINT INTERNATIONAL BRIDGE AUTHORITY
COMPARATIVE MAINTENANCE ACTIVITIES - UNAUDITED

For the Year Ended December 31, 2006

Activity ID	Work Description	December 31	
		2006	2005
A1-U	Snow Plowing U.S. Half of Bridge and U.S. IBA Plaza	\$ 4,998	\$ 6,481
A1-C	Snow Plowing Canadian Half of Bridge and Canadian	6,394	7,996
A2-U	Snow Plowing IBA Parking Area	4,631	3,157
A2-C	Snow Plowing Canada Customs Parking Area	2,586	3,153
A3-U	Sanding U.S. Half of Bridge, Plaza and Parking Area	3,925	3,015
A3-C	Sanding Canadian Half of Bridge, Plaza and Parking	3,747	3,373
A4-U	Snow Removal U.S. IBA Plaza	3,145	3,110
A4-C	Snow Removal Canadian IBA Plaza	4,965	6,351
A5	Snow Removal Tolls	1,985	2,126
A6	Snow Removal Canada Customs Truck Compound	4,682	2,161
A7	Equipment Maintenance	49,931	34,547
A8-U	IBA Building Maintenance U.S.	42,344	19,595
A8-C	IBA Building Maintenance Canada	6,637	5,346
A8-CC	Building Maintenance Canada Customs	15,782	23,134
A9-U	IBA Janitorial U.S.	37,416	32,433
A9-C	IBA Janitorial Canada	48	72
A9-CC	Janitorial Canada Customs	46,106	42,903
A10	Bridge Patrol	66,082	78,641
A11	Emergency Calls	7,943	4,723
A12	Landscaping and Mowing	16,233	9,446
A13-U	IBA Plaza Maintenance U.S.	13,528	6,135
A13-C	IBA Plaza Maintenance Canada	12,165	14,592
A14	Toll Maintenance	11,642	6,737
A15	Maintenance Projects Not Listed in Annual Inspection	123,119	93,596
A16	Security Enhancement	22,026	7,475
A17	Snowplowing US Border Station	5,316	3,252
A18	Escorts	12,650	9,896
TOTAL MAINTENANCE ACTIVITY EXPENSES		<u>\$ 530,026</u>	<u>\$ 433,446</u>

JOINT INTERNATIONAL BRIDGE AUTHORITY
COMPARATIVE MAINTENANCE PROJECTS - UNAUDITED

For the Year Ended December 31, 2006

Project ID	Work Description	December 31			
		2006	2005	Priority	Status
M-1	Monitoring south abutment / rocker bearings pier 2	\$ 82	-	2	ongoing
M-1	Monitoring south abutment / rocker bearings pier 2	-	\$ 147	2	complete
M-4	Seal cracks in silica fume concrete overlay	10,208	-	1	complete
M-4	Seal cracks in silica fume concrete overlay	-	10,730	1	complete
M-5	Repair and seal concrete deck joints	-	-	2	complete
M-5	Repair and seal concrete deck joints	-	827	2	ongoing
M-7	Pier pedestal sealant	4,913	-	2	none
M-7	Pier pedestal sealant	-	-	2	complete
M-8	Drainage at pier tops	426	-	4	none
M-8	Drainage at pier tops	-	-	4	complete
M-9	Inspect and repair pier protection plates	200	-	3	none
M-9	Inspect and repair pier protection plates	-	-	3	complete
M-10	Monitor corrosion - fill plates	-	-	2	complete
M-10	Monitor corrosion - fill plates	-	79	2	complete
M-11	Repair wind tongues	3,820	-	2	none
M-11	Repair wind tongues	-	-	2	Parsons
M-12	Clean and paint wind tongues	627	-	2	none
M-12	Clean and paint wind tongues	-	-	2	Parsons
M-13	Inspect / upgrade electrical conduits - necklace lights	-	-	3	ongoing
M-13	Inspect / upgrade electrical conduits - necklace lights	-	1,598	3	complete
M-14	Replace screws access panels light pole bases	-	-	2	complete
M-14	Utility tunnel wiring upgrades	-	2,627	1	complete
M-18	Repair damaged bridge / curb rail	22,233	-	1	none
M-18	Repair damaged bridge / curb rail	-	-	1	complete
M-19	Monitor anchor bolts pier top safety rails	168	-	2	complete
M-19	Replace anchor bolts - pier top safety rails	-	79	2	complete
M-20	Monitor / repair inlet grating roadway drains	182	-	2	complete
M-20	Monitor / repair inlet grating roadway drains	-	80	2	complete
M-21	Monitor tilt pier #1 and #2	-	-	2	ongoing
M-21	Monitor tilt pier #1 and #2	-	106	2	complete
M-23	Monitor expansion joint E walkway P.P.8 U.S. arch	61	-	3	complete
M-23	Monitor expansion joint E walkway P.P.8 U.S. arch	-	23	3	complete
M-24	Replace missing u-bolt catwalk handrail pier #47	-	-	2	complete
M-24	Replace missing u-bolt catwalk handrail pier #47	-	314	2	complete
M-25	Replace anchor bolt cover plates light poles	266	-	3	none
M-25	Replace anchor bolt cover plates light poles	-	-	3	none
TOTAL MAINTENANCE PROJECT EXPENSES		<u>\$ 43,186</u>	<u>\$ 16,610</u>		

JOINT INTERNATIONAL BRIDGE AUTHORITY

COMPARATIVE ROUTINE MAINTENANCE PROJECTS - UNAUDITED

For the Year Ended December 31, 2006

Project ID	Work Description	December 31		
		2006	2005	Status
RM-1	Inspect & replace stay-in-place forms	\$ 671		complete
RM-1	Inspect & replace stay-in-place forms		\$ 84	complete
RM-4	Spot cleaning and painting of any areas as needed	-		complete
RM-4	Spot cleaning and painting of any areas as needed		963	complete
RM-5	Removal of loose underdeck - treat exposed steel	725		M-3
RM-5	Removal of loose underdeck - treat exposed steel		-	M-3
RM-6	Repair of pop-outs and silica fume overlay	3,386		complete
RM-6	Repair of pop-outs and silica fume overlay		4,276	complete
RM-7	Reseal Joint to concrete interface at end of season	-		complete
RM-7	Reseal Joint to concrete interface at end of season		3,632	complete
RM-10	Check / clean drainage systems	3,637		complete
RM-10	Check / clean drainage systems		894	complete
RM-11	Annual cleaning pier tops, walkways, structural units	31,585		complete
RM-11	Annual cleaning pier tops, walkways, structural units		15,517	complete
RM-13	RegROUT curb rail leveling pads as required	-		complete
RM-13	RegROUT curb rail leveling pads as required		688	complete
RM-14	Maintain catwalks	3,515		complete
RM-14	Maintain catwalks		157	complete
RM-15	Clean & re-paint bridge & curb railings	600		complete
RM-15	Clean & re-paint bridge & curb railings		554	complete
IBA-3	Installation of security fence	3,422		ongoing
IBA-3	Installation of security fence		13,102	ongoing
IBA-4	Installation of cable trays	-		ongoing
IBA-4	Installation of cable trays		43,607	ongoing
IBA-5	Installation of security platforms	-		complete
IBA-5	Installation of security platforms		26,919	complete
TOTAL MAINTENANCE PROJECT EXPENSES		<u>\$ 47,541</u>	<u>\$ 110,393</u>	

JOINT INTERNATIONAL BRIDGE AUTHORITY

SCHEDULE OF INSURANCE - UNAUDITED

For the Year Ended December 31, 2006

Policy Number and Insurer		Coverage 2006	Premium/Deposit 2006
<u>BRIDGE USE AND OCCUPANCY & COMMERCIAL BUILDING CONTENTS</u>			
13779 (55% GCAN Insurance Co.) (35% Liberty Mutual Ins. Co.) (10% Zurich Ins. Co.)	Bridge physical damage 3% if Total Insurable Values subject to minimum deductible of \$500,000 for Earthquake \$500,000 deductible for Flood \$500,000 All Other Perils	\$ 65,850,800	\$ 107,112 cdn
	Bridge use and occupancy insurance	\$ 13,518,750	
	Property of every description, Contractors equipment, Building - 139 Huron St	\$ 7,772,915	
	Fiber Optics	\$ 75,000	
	Gross Rentals	\$ 419,200	
	Valuable Papers	\$ 75,000	
	Accounts Receivable	\$ 250,000	
	Extra Expense 3% of Total Insurable Values subject to minimum deductible of \$250,000 for Earthquake \$50,000 deductible for Flood \$50,000 deductible for Sewer Back-up \$50,000 deductible for Contractor's Equipment \$50,000 deductible for All Other Losses	\$ 250,000	
<u>BOILER & MACHINERY</u>			
	\$50,000 Medical Expense Limit (any one accident) Sublimits: Expediting Expense, water damage, ammonia contamination, hazardous substances & professional fees	\$ 2,000,000	\$ 2,046 cdn
7226244 (100% Royal and Sun Alliance)	\$1,000 deductible for Legal liability and damage to hired vehicles (All Perils) \$1,000 deductible for Tenants legal liability \$1,000 deductible for Forest fire fighting expenses	\$ 200,000	
7226244 (100% Royal and Sun Alliance)	Legal and auditing expenses included in deductible TRIA Coverage		
<u>COMMERCIAL GENERAL LIABILITY</u>			
GL 3824416 (100% American Home Assurance Co.)	Commercial general liability with \$50,000 deductible for Bodily and property damage, Personal Injury and Advertising Liability \$5,000 Medical Expense Limit (any one person) \$50,000 Medical Expense Limit (any one accident) \$1,000 deductible for Employee benefits liability \$1,000 deductible for Legal liability and damage to hired vehicles (All Perils) \$1,000 deductible for Tenants legal liability \$1,000 deductible for Forest fire fighting expenses Legal and auditing expenses included in deductible Terrorism Coverage	\$ 1,000,000	\$ 55,574 US

JOINT INTERNATIONAL BRIDGE AUTHORITY

SCHEDULE OF INSURANCE - UNAUDITED

For the Year Ended December 31, 2006

Policy Number and Insurer		Coverage 2006	Premium/Deposit 2006
<u>PRIMARY UMBRELLA LIABILITY</u>			
8831240 (100% Zurich Insurance Co.))	Bodily injury and property damage liability-umbrella in excess of \$1,000,000	\$ 15,000,000	\$ 74,594 cdn
<u>EXCESS UMBRELLA LIABILITY</u>			
79747813 (100% Chubb Insurance Co.)	Bodily injury and property damage liability-umbrella in excess of primary umbrella	\$ 9,000,000	\$ 19,757 cdn
<u>WORKERS COMPENSATION</u>			
WCJ-Y91-503821-054 (100% Wausau)	Worker's compensation and employer's liability insurance	\$ 1,000,000	\$ 78,662
<u>COMMERCIAL CRIME</u>			
YCC-Y91-503821-093 (100% Wausau)	Theft of Money and Securities - inside the premises \$1,000 deductible	\$ 100,000	\$ 915
	Theft of Money and Securities - outside the premises \$1,000 deductible	\$ 100,000	
<u>VEHICLE INSURANCE</u>			
ASC-Y91-503821-074 (100% Wausau)	Bodily injury and property damage liability and comprehensive collision, etc. on owned autos and trucks (5) \$250 deductible Comp./\$500 deductible Collision (2) \$500 deductible Comp./\$1,000 deductible Collision (1) \$1,000 deductible Comp./\$2,500 deductible Collision	\$ 1,000,000	\$ 10,982
<u>ERRORS & OMISSIONS</u>			
045 43-13 (100% American Home Assurance Co.)	Professional Services as Public Officials of Int'l Bridge, SMRBC and MDOT \$25,000 deductible Defense costs over and above the limits of insurance	\$ 1,000,000	\$ 17,687 cdn

JOINT INTERNATIONAL BRIDGE AUTHORITY

NET ASSETS

LAST SIX FISCAL YEARS
(UNAUDITED)

	2001 *	2002	2003	2004	2005	2006
Governmental activities						
Invested in capital assets, net of related debt	\$ 8,672,300	\$ 12,458,681	\$ 13,048,302	\$ 12,275,985	\$ 13,235,526	\$ 13,134,134
Restricted	1,951,907	581,491	988,958	1,780,676	1,609,713	1,999,222
Unrestricted	2,769,781	1,633,074	1,843,572	2,658,758	3,188,503	2,615,035
TOTAL	<u>\$ 13,393,988</u>	<u>\$ 14,673,246</u>	<u>\$ 15,880,832</u>	<u>\$ 16,715,419</u>	<u>\$ 18,033,742</u>	<u>\$ 17,748,391</u>

* - 16 month fiscal year, implementation of Statement 34

JOINT INTERNATIONAL BRIDGE AUTHORITY

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS
(UNAUDITED)

	2001 *	2002	2003	2004	2005	2006
Primary government						
Governmental activities:						
Toll collection	\$ 1,615,705	\$ 1,123,265	\$ 1,146,371	\$ 1,215,908	\$ 1,348,611	\$ 1,491,870
Bridge maintenance	2,091,093	1,322,850	1,936,865	2,394,161	2,049,018	2,323,578
Administration	927,757	329,253	352,939	354,103	385,074	495,968
Depreciation - unallocated	-	430,958	-	-	-	-
Other expenses	-	387,306	722,888	598,705	814,371	804,436
Total operating expenses	<u>\$ 4,634,555</u>	<u>\$ 3,593,632</u>	<u>\$ 4,159,063</u>	<u>\$ 4,562,877</u>	<u>\$ 4,597,074</u>	<u>\$ 5,115,852</u>
Charges for services						
Toll collection	\$ 2,178,083	\$ 1,717,722	\$ 1,783,292	\$ 1,658,814	\$ 1,908,935	\$ 1,813,742
Bridge maintenance	2,818,941	2,022,931	3,012,984	3,266,259	2,900,347	2,824,892
Administration	1,250,681	503,500	-	-	-	-
Other expenses	-	592,278	-	-	-	-
Capital grants and contributions	-	-	-	176,213	835,000	-
Total operating revenues	<u>\$ 6,247,705</u>	<u>\$ 4,836,431</u>	<u>\$ 4,796,276</u>	<u>\$ 5,101,286</u>	<u>\$ 5,644,282</u>	<u>\$ 4,638,634</u>
Total primary government Net (expense)/revenue	<u>1,613,150</u>	<u>1,242,799</u>	<u>637,213</u>	<u>538,409</u>	<u>1,047,208</u>	<u>(477,218)</u>
General revenues and other changes in net assets						
Interest revenues	\$ 176,141	\$ 36,459	\$ 50,518	\$ 33,174	\$ 126,314	\$ 230,572
MDOT parity refunded	-	-	93,959	90,097	94,829	-
Gain on sale of fixed asset	340,751	-	-	-	-	-
Exchange gain (loss)	-	-	425,896	172,907	49,972	(38,705)
Total general revenues	<u>\$ 516,892</u>	<u>\$ 36,459</u>	<u>\$ 570,373</u>	<u>\$ 296,178</u>	<u>\$ 271,115</u>	<u>\$ 191,867</u>
Total primary government Change in net assets	<u>\$ 2,130,042</u>	<u>\$ 1,279,258</u>	<u>\$ 1,207,586</u>	<u>\$ 834,587</u>	<u>\$ 1,318,323</u>	<u>\$ (285,351)</u>

* - 16 month fiscal year, implementation of Statement 34

JOINT INTERNATIONAL BRIDGE AUTHORITY

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	1997	1998	1999	2000	2001 *	2002	2003	2004	2005	2006
General fund										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,959	\$ 184,056	\$ -	\$ -
Reserved	<u>877,086</u>	<u>673,585</u>	<u>740,480</u>	<u>951,091</u>	<u>3,041,583</u>	<u>1,800,322</u>	<u>2,060,545</u>	<u>2,929,636</u>	<u>3,505,517</u>	<u>2,931,736</u>
Total general fund	<u>\$ 877,086</u>	<u>\$ 673,585</u>	<u>\$ 740,480</u>	<u>\$ 951,091</u>	<u>\$ 3,041,583</u>	<u>\$ 1,800,322</u>	<u>\$ 2,060,545</u>	<u>\$ 2,929,636</u>	<u>\$ 3,505,517</u>	<u>\$ 2,931,736</u>
All other governmental funds										
Reserved, reported in:										
Capital fund	\$ 4,153,552	\$ 2,456,674	\$ 1,672,601	\$ 1,465,713	\$ 1,951,907	\$ 581,491	\$ 894,999	\$ 1,596,620	\$ 1,609,713	\$ 1,999,222
Debt service fund	<u>1,720,930</u>	<u>760,041</u>	<u>1,071,151</u>	<u>1,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 5,874,482</u>	<u>\$ 3,216,715</u>	<u>\$ 2,743,752</u>	<u>\$ 1,467,106</u>	<u>\$ 1,951,907</u>	<u>\$ 581,491</u>	<u>\$ 894,999</u>	<u>\$ 1,596,620</u>	<u>\$ 1,609,713</u>	<u>\$ 1,999,222</u>

* - 16 month fiscal year, implementation of Statement 34

JOINT INTERNATIONAL BRIDGE AUTHORITY

CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)

	1997	1998	1999	2000	2001 *	2002	2003	2004	2005	2006
Revenues										
Toll collections	\$ 5,635,819	\$ 5,208,544	\$ 5,046,762	\$ 5,051,063	\$ 5,496,165	\$ 4,388,930	\$ 4,360,192	\$ 4,374,112	\$ 4,358,084	\$ 4,126,511
Federal grants	-	-	-	-	-	-	-	176,213	835,000	-
Lease and rental revenues	535,815	638,935	348,996	439,390	410,789	447,501	419,224	463,683	447,517	453,674
MDOT parity refunded	-	-	145,741	-	-	-	93,959	90,097	94,829	-
Interest revenues	307,910	312,948	-	175,397	176,141	36,459	50,518	33,174	126,314	230,572
Other revenues	4,916	-	-	-	-	-	16,860	87,278	3,681	58,449
Revenue on sale of fixed assets	-	-	3,500	-	340,751	-	-	-	-	-
Exchange gain (loss)	-	-	-	-	-	-	425,896	172,907	49,972	(38,705)
Total revenues	<u>\$ 6,484,460</u>	<u>\$ 6,160,427</u>	<u>\$ 5,544,999</u>	<u>\$ 5,665,850</u>	<u>\$ 6,423,846</u>	<u>\$ 4,872,890</u>	<u>\$ 5,366,649</u>	<u>\$ 5,397,464</u>	<u>\$ 5,915,397</u>	<u>\$ 4,830,501</u>
Expenditures										
Toll collection	\$ 1,072,469	\$ 1,006,662	\$ 1,139,074	\$ 1,099,690	\$ 1,648,599	\$ 1,129,839	\$ 1,129,580	\$ 1,188,548	\$ 1,320,481	\$ 1,499,425
Bridge maintenance	1,994,269	5,644,193	3,205,367	1,830,984	1,800,027	5,483,654	2,481,292	1,578,445	2,979,550	2,198,272
Administration	495,133	486,983	439,412	535,083	695,333	383,980	350,153	346,107	376,277	492,840
Other expenditures	-	-	-	-	-	487,095	737,935	598,705	814,371	804,436
Debt service - principal	2,280,000	1,570,000	575,000	2,967,819	-	-	-	21,777	16,997	17,804
Debt service - interest	394,050	249,900	185,550	-	-	-	-	3,073	2,803	1,996
Capital outlay	13,615	54,278	406,664	255,055	45,345	-	-	-	-	-
Loss on sale of investments	-	9,679	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 6,249,536</u>	<u>\$ 9,021,695</u>	<u>\$ 5,951,067</u>	<u>\$ 6,688,631</u>	<u>\$ 4,189,304</u>	<u>\$ 7,484,568</u>	<u>\$ 4,698,960</u>	<u>\$ 3,736,655</u>	<u>\$ 5,510,479</u>	<u>\$ 5,014,773</u>
Other financing sources (uses)										
Transfers in	3,823,494	3,158,155	2,630,677	2,330,455	699,754	3,012,988	1,758,354	1,056,970	1,152,164	1,400,000
Transfers out	<u>(3,823,494)</u>	<u>(3,158,155)</u>	<u>(2,630,677)</u>	<u>(2,330,455)</u>	<u>(699,754)</u>	<u>(3,012,988)</u>	<u>(1,758,354)</u>	<u>(1,056,970)</u>	<u>(1,152,164)</u>	<u>(1,400,000)</u>
Net change in fund balances	<u>\$ 234,924</u>	<u>\$ (2,861,268)</u>	<u>\$ (406,068)</u>	<u>\$ (1,022,781)</u>	<u>\$ 2,234,542</u>	<u>\$ (2,611,678)</u>	<u>\$ 667,689</u>	<u>\$ 1,660,809</u>	<u>\$ 404,918</u>	<u>\$ (184,272)</u>
Debt service as a percentage of noncapital expenditures	42.9%	20.3%	13.7%	46.1%	0.0%	0.0%	0.0%	0.7%	0.4%	0.4%

* - 16 month fiscal year

JOINT INTERNATIONAL BRIDGE AUTHORITY

GENERAL HISTORY
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS
(UNAUDITED)

	1997	1998	1999	2000	2001 *	2002	2003	2004	2005	2006
Expenditures										
Toll collection	\$ 1,072,469	\$ 1,006,662	\$ 1,139,074	\$ 1,099,690	\$ 1,648,599	\$ 1,129,839	\$ 1,129,580	\$ 1,188,548	\$ 1,320,481	\$ 1,499,425
Bridge maintenance	1,994,269	5,644,193	3,205,367	1,830,984	1,800,027	5,483,654	2,481,292	1,578,445	2,979,550	2,198,272
Administration	495,133	486,983	439,412	535,083	695,333	383,980	350,153	346,107	376,277	492,840
Other expenditures	-	-	-	-	-	487,095	737,935	598,705	814,371	804,436
Debt service - principal	2,280,000	1,570,000	575,000	2,967,819	-	-	-	21,777	16,997	17,804
Debt service - interest	394,050	249,900	185,550	-	-	-	-	3,073	2,803	1,996
Capital outlay	13,615	54,278	406,664	255,055	45,345	-	-	-	-	-
Loss on sale of investments	-	9,679	-	-	-	-	-	-	-	-
TOTAL	\$ 6,249,536	\$ 9,021,695	\$ 5,951,067	\$ 6,688,631	\$ 4,189,304	\$ 7,484,568	\$ 4,698,960	\$ 3,736,655	\$ 5,510,479	\$ 5,014,773

* - 16 month fiscal year

JOINT INTERNATIONAL BRIDGE AUTHORITY**GENERAL HISTORY
GENERAL GOVERNMENTAL EXPENDITURES BY FUND****LAST TEN FISCAL YEARS
(UNAUDITED)**

Year Ended:	Revenue Fund	Capital Fund	Other Funds Series B Bonds	Total General Expenditures
1997	\$ 2,640,151	\$ 935,335	\$ 2,674,050	\$ 6,249,536
1998	2,502,763	4,699,032	1,819,900	9,021,695
1999	2,737,651	2,452,866	760,550	5,951,067
2000	2,964,195	756,617	2,967,819	6,688,631
2001 *	3,898,520	290,784	4,259	4,193,563
2002	3,085,435	4,399,133	-	7,484,568
2003	3,253,729	1,445,231	-	4,698,960
2004	3,205,462	531,193	-	3,736,655
2005	3,495,206	2,015,273	-	5,510,479
2006	3,945,293	1,069,480	-	5,014,773

* - 16 month fiscal year

JOINT INTERNATIONAL BRIDGE AUTHORITYGENERAL HISTORY
GENERAL GOVERNMENTAL REVENUE BY SOURCELAST TEN FISCAL YEARS
(UNAUDITED)

	1997	1998	1999	2000	2001 *	2002	2003	2004	2005	2006
Revenues										
Toll collections	\$ 5,635,819	\$ 5,208,544	\$ 5,046,762	\$ 5,051,063	\$ 5,496,165	\$ 4,388,930	\$ 4,360,192	\$ 4,374,112	\$ 4,358,084	\$ 4,126,511
Federal grants	-	-	-	-	-	-	-	176,213	835,000	-
Lease and rental revenues	535,815	638,935	348,996	439,390	410,789	447,501	419,224	463,683	447,517	453,674
MDOT parity refunded	-	-	145,741	-	-	-	93,959	90,097	94,829	-
Interest revenues	307,910	312,948	-	175,397	176,141	36,459	50,518	33,174	126,314	230,572
Other revenues	4,916	-	-	-	-	-	16,860	87,278	3,681	58,449
Revenue on sale of fixed assets	-	-	3,500	-	340,751	-	-	-	-	-
Exchange gain (loss)	-	-	-	-	-	-	425,896	172,907	49,972	(38,705)
TOTAL	<u>\$ 6,484,460</u>	<u>\$ 6,160,427</u>	<u>\$ 5,544,999</u>	<u>\$ 5,665,850</u>	<u>\$ 6,423,846</u>	<u>\$ 4,872,890</u>	<u>\$ 5,366,649</u>	<u>\$ 5,397,464</u>	<u>\$ 5,915,397</u>	<u>\$ 4,830,501</u>

* - 16 month fiscal year

JOINT INTERNATIONAL BRIDGE AUTHORITY**GENERAL HISTORY
GENERAL GOVERNMENTAL REVENUE BY FUND****LAST TEN FISCAL YEARS
(UNAUDITED)**

Year Ended:	Revenue Fund	Capital Fund	Other Funds Series B Bonds	Total General Revenues
1997	\$ 6,200,626	\$ 253,961	\$ 29,873	\$ 6,484,460
1998	5,907,417	233,290	19,720	6,160,427
1999	5,435,223	101,793	7,983	5,544,999
2000	5,548,515	89,729	27,606	5,665,850
2001 *	6,342,362	77,225	4,259	6,423,846
2002	4,857,161	15,729	-	4,872,890
2003	5,366,265	384	-	5,366,649
2004	5,218,320	179,144	-	5,397,464
2005	5,039,195	876,202	-	5,915,397
2006	4,771,512	58,989	-	4,830,501

* - 16 month fiscal year

JOINT INTERNATIONAL BRIDGE AUTHORITY

PLEDGED-REVENUE COVERAGE

TOLL FACILITY BONDS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
1997	\$ 6,484,460	\$ 3,575,486	\$ 2,908,974	\$ 2,280,000	\$ 394,050	1.09
1998	6,160,427	7,201,795	(1,041,368)	1,570,000	249,900	(0.57)
1999	5,544,999	5,190,517	354,482	575,000	185,550	0.47
2000	5,665,850	3,720,812	1,945,038	2,967,819	-	0.66
2001	6,423,846	4,189,304	2,234,542	-	-	-
2002	4,872,890	7,484,568	(2,611,678)	-	-	-
2003	5,366,649	4,698,960	667,689	-	-	-
2004	5,397,464	3,736,655	1,660,809	-	-	-
2005	5,915,397	5,510,479	404,918	-	-	-
2006	4,830,501	5,014,773	(184,272)	-	-	-

JOINT INTERNATIONAL BRIDGE AUTHORITY

LONG-TERM DEBT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES

LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended:	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To Total General Expenditures
1997	\$ 2,280,000	\$ 394,050	\$ 2,674,050	\$ 6,249,536	42.8%
1998	1,570,000	249,900	1,819,900	9,021,695	20.2%
1999	575,000	185,550	760,550	5,951,067	12.8%
2000	2,967,819	-	2,967,819	6,688,631	44.4%
2001	-	-	-	4,193,563	0.0%
2002	-	-	-	7,484,568	0.0%
2003	-	-	-	4,698,960	0.0%
2004	21,777	3,073	24,850	3,736,655	0.7%
2005	16,997	2,803	19,800	5,510,479	0.4%
2006	17,804	1,996	19,800	5,014,773	0.4%

JOINT INTERNATIONAL BRIDGE AUTHORITY

MISCELLANEOUS STATISTICS

For the Year Ended December 31, 2006
(UNAUDITED)

Form of Government	International Board of Directors with day to day operations as managed by a State Entity
Length of Bridge	2.8 miles
Cost of Original Construction	\$ 21,000,000
Designer	Steinman, Boynton, Gronquist & London of New York
Construction	Started September 16, 1960. Opened to traffic October 31, 1962
Width	28 foot roadway between curbs, providing 14 foot traffic lanes in each direction
Height	Roadway is 145 feet above ground level at its highest point
Clearance	Bridge has 124 feet above round level at its highest point
Weight	125,000 tons of which 114,000 tons are concrete and 11,000 tons are structural steel
Colors	Green & Ivory
Speed	Maximum 30 miles per hour/50 kilometers per hour
Maintenance	Approximately \$1 million is spent annually for sandblasting and painting contracts
Tolls	\$1.50 U.S. dollars, each way for passenger cars. No extra charge for passengers.
Employees	
Administration	6
Maintenance	11
Tolls	18



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

To the Members and Representatives of the
Joint International Bridge Authority
934 Bridge Plaza
Sault Ste. Marie, Michigan 49783
and
Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan 48913

We have audited the basic financial statements of the Joint International Bridge Authority for the year ended December 31, 2006, and have issued our report thereon dated January 25, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Joint International Bridge Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Joint International Bridge Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Joint International Bridge Authority are described in Note A to the financial statements. We noted no transactions entered into by the Joint International Bridge Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Joint International Bridge Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Joint International Bridge Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Joint International Bridge Authority's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the independent auditors' report. We are pleased to report that no such disagreement arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Joint International Bridge Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Count Room Camera Coverage

While observing cash count procedures from the monitors, we noted that there are areas of the count room that are not observable. Currently, there are two stationary cameras in the cash count room. These cameras do not provide sufficient coverage during cash counts. We recommend that the Authority make efforts to improve camera coverage in the count room.

Response: The Authority has modified the two existing cameras to improve camera coverage. The cameras were fitted with wide angle lenses that greatly enhance camera coverage of the count room.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, which requires that the Joint International Bridge Authority implement the Statement for the year ended December 31, 2009. GASB Statement 45 impacts the future accounting of post-employment health insurance costs as it relates to the amount the Authority will be required to fund these benefits. The Authority will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Members and Representatives as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the use of state and provincial regulatory agencies and management of the Joint International Bridge Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 25, 2007